प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
ई-मेल/email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस. मार्ग, फोर्ट, मुंबई - 400 001
Department of Communication, Central Office, S.B.S. Marg, Fort, Mumbai - 400 001
फोन/Phone: 022 - 2266 0502

August 18, 2022

RBI Bulletin – August 2022

The Reserve Bank of India today released the August 2022 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement, 2022-23, Resolution of the Monetary Policy Committee (MPC) August 3-5, 2022, two Speeches, six Articles and Current Statistics.

The six articles are: I. State of the Economy; II. Privatization of Public Sector Banks: An Alternate Perspective; III. A Steady Ship in Choppy Waters: An Analysis of the NBFC Sector in Recent Times; IV. Real-Time Monitoring of the Indian Economy; V. Private Corporate Investment: Growth in 2021-22 and Outlook for 2022-23; and VI. Exchange Rate Volatility in Emerging Market Economies.

I. State of the Economy

Global growth prospects have turned gloomier over the month. Easing of supply chain pressures and the recent ebbing of commodity prices are providing some breather from record high inflation. In India supply conditions are improving, with the recent monsoon pick-up, strong momentum in manufacturing and a rebound in services. The onset of festival season should boost consumer demand, including rural, also as sowing activity picks up. Robust central government capital outlays are supporting investment activity. Inflation has edged down, but its persistence at elevated levels warrants appropriate policy responses to anchor expectations going forward.

II. Privatization of Public Sector Banks: An Alternate Perspective

Privatization of public sector banks (PSBs) is a widely discussed topic in India. This article empirically evaluates some of the arguments for and against privatization of PSBs.

Highlights:

- Using data envelopment analysis (DEA) this article finds that while private sector banks (PVBs) are more efficient in profit maximization, their public sector counterparts have done better in promoting financial inclusion.
- Labour cost efficiency is higher in PSBs in comparison to PVBs.
- Empirical evidence suggests that lending by PSBs is less procyclical than PVBs. Thus, PSBs help counter-cyclical policy actions to gain traction.
- The gradual approach to privatization adopted by the government can ensure that a void is not created in fulfilling the social objective of financial inclusion.

III. A Steady Ship in Choppy Waters: An Analysis of the NBFC Sector in Recent Times

Non-banking financial companies (NBFCs) have established themselves as an integral part of the financial landscape. Using supervisory data, this article evaluates the performance of non-banking financial company (NBFC) sector in 2021-22 (up to Q3:2021-22) following the second wave of the pandemic on a number of parameters.

Highlights:

- The consolidated balance sheet of the NBFC sector exhibited double digit growth in the quarter-ending December 2021.
- The gap between the spreads of AAA/AA- rated NBFC bonds began to reduce from January 2021 onwards and reached pre-covid levels in December 2021 indicating growing market confidence in the sector.
- NBFCs continued to provide maximum credit to industrial sector followed by retail, services, and agriculture. The sectoral credit distribution remained largely unchanged in 2021-22 (up to end-December 2021) as compared to end-December 2020. All sectors witnessed high credit growth on account of base effect and resumption of economic activities.
- The profitability of the NBFC sector improved in Q3:2021-22 compared to the corresponding quarter in 2020-21. NBFCs continue to maintain adequate provisions and their capital position remains strong.

IV. Real-Time Monitoring of the Indian Economy

This article attempts to construct weekly activity indices to track the latest developments in the economy with least possible lag. Two different indices have been developed – a 7-indicator weekly activity index (WAI) using the dynamic factor model reflecting changes in economic activity on a year-on-year basis and a 15-indicator weekly diffusion index (WDI) reflecting directional movements on a sequential basis.

Highlights:

- Due to its timely availability, WAI holds the potential to serve as a crucial input for policy makers bridging the information gap in monthly high frequency indicators, especially during periods of drastic changes in economic conditions.
- The 4-week and 13-week moving average (MA) of the WAI provide a preliminary nowcast of IIP and GDP growth.
- Weekly recovery index (WRI), presented in level terms, moderated in December 2021 and January 2022 and rebounded thereafter, reflecting the milder impact of the Omicron wave as compared to the first two waves of COVID-19.

V. Private Corporate Investment: Growth in 2021-22 and Outlook for 2022-23

Capital expenditure (capex) of the private corporate sector plays a significant role in driving the overall investment climate in the economy. Using data on capex phasing plans indicated by the private corporate sector, this article provides an assessment of the progress on new projects as well as the near-term private investment outlook.

Highlights:

- Announcement of new projects increased significantly during 2021-22 with the resumption of business activities and improving demand conditions after the ebbing of the Covid-19 pandemic.
- Infrastructure sector continued to attract maximum capex, led by 'Power' and 'Road & Bridges' sectors.
- Total capex plan of the private corporate sector in 2021-22 recorded an increase of 13.5 per cent over the preceding year. A major part of this rise is attributed to resources raised through the external commercial borrowing (ECB) route.
- Of the total capex investment envisaged during 2021-22, more than one third is expected to be spent in 2022-23.

VI. Exchange Rate Volatility in Emerging Market Economies

This article analyses exchange rate volatility in select Emerging Market Economies (EMEs) *vis-à-vis* the US Dollar since 2007, covering the major episodes of high volatility such as the Global Financial Crisis (GFC), Eurozone Sovereign Debt Crisis, Taper Tantrum, Covid-19 outbreak and the recent Russia-Ukraine conflict and Federal Reserve's tightening of monetary policy.

Highlights:

- An equal-weighted implied volatility index of select EME currencies has trended lower in high volatility episodes subsequent to GFC. Moreover, the number of days of high volatility during each of the subsequent episodes has also declined.
- The objective of containing INR's exchange rate volatility without reference to any explicit/implicit preset target / band has been met as reflected in various parameters such as realised volatility, volatility cone and intraday range. Further, INR's volatility expectations have also come down during 2007-2021.

(Yogesh Dayal)
Chief General Manager

Press Release: 2022-2023/726